



## Department Description

Debt Management conducts planning, structuring, and issuance activities for short-term and long-term financing to meet the City's cash flow needs and to provide funds for capital projects, equipment, and vehicles. In addition, the Department coordinates the Community Facilities District and 1913/1915 Act Assessment District formation procedures and related conduit bond issuances to fund public infrastructure projects. The Department monitors outstanding debt issuances for refunding opportunities and performs, coordinates, and monitors certain post-issuance administrative functions. With respect to the latter, Debt Management works with the Office of the City Attorney, outside counsel, and other departments to administer debt service payments; monitor the City's compliance with existing bond covenants; coordinate the filing of annual continuing disclosure reports; and respond to requests for information related to outstanding bonds.

Debt Management performs financial analyses for the Mayor and City departments. The Department also works with the Public Utilities Department to develop financial plans and identify infrastructure funding based on the public utilities' rate analyses, projections, and federal, State, and local mandates. Debt Management is organized into the following functions:

### Citywide Contractual Services

Citywide Contractual Services provides funds for consulting contracts including financial advisory and special tax consultant contracts and for services relating to a wide range of financing issues.

### Enterprise Fund Financing and Administration

Enterprise Fund Financing and Administration coordinates the structuring and issuance of bond financings for City capital projects funded and secured by the City's enterprise funds and performs or coordinates certain post-debt issuance administrative functions including continuing disclosure annual report filings.

### General Fund Financing and Administration

General Fund Financing and Administration coordinates the structuring and issuance of bond financing for City capital projects funded and secured by the City's General Fund, notes financings to meet General Fund cash flow

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needs, and performs or coordinates certain post-debt issuance administrative functions including continuing disclosure annual report filings.

## Special Districts Financing and Administration

Special Districts Financing and Administration coordinates Community Facilities District and 1913/1915 Act Assessment District formation procedures and related bond issuances, and performs or coordinates certain post-debt issuance administrative functions including the calculation and enrollment of special taxes and assessments and continuing disclosure annual report filings.

The Department's mission is:

*To provide a comprehensive and innovative debt management administration to meet the financing needs of the City in a cost-effective manner taking into account City priorities as well as legal, financial, and structuring considerations*

## Goals and Objectives

Goals and objectives have been reprinted here as they were adopted in the Fiscal Year 2010 budget. They will be revisited during Fiscal Year 2012.

### ***Goal 1: Offer innovative financial products to effectuate the City's capital financing plan***

Offering innovative financial products as part of the City's capital plan will enable the City to pay for much needed capital projects. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Implement and execute financings for capital needs on a timely basis
- Ensure financings implemented are cost-effective

### ***Goal 2: Implement the use of best practices***

Use of best practices is vital in improving and maintaining the efficiency and effectiveness of any organization. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Maintain efficiency and accuracy of Department operations
- Enhance document retention and access practices
- Establish and regularly update the City investor webpage

### ***Goal 3: Manage post-issuance compliance***

Post-issuance compliance is an important process necessary to maintaining the tax exemption of interest on outstanding obligations and in ensuring the City's compliance with federal securities laws. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Optimize returns from bond funds
- Perform regular financial reporting for all stakeholders
- Ensure that the compliance monitoring process is efficient and effective

### ***Goal 4: Adhere to best practices as it relates to disclosure***

Enhanced disclosure practices improve the process of providing timely and accurate financial reporting to stakeholders. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objective.

- Implement and execute financings that adhere to the City's disclosure practices

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## ***Goal 5: Promote the highest ethical standards and behavior among employees***

Promote and enforce the City's ethical practices to ensure integrity, accountability, service, team support, openness, and diversity in the Department. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Offer training to management and staff on ethical standards
- Management review of standards and ethical practices with staff on a regular basis

## ***Goal 6: Hire, retain, and develop skilled employees***

Developing and retaining a trained and skilled workforce is essential to the success of the Department. Ensuring that our employees are trained and have access to the necessary resources will create a higher performing organization that operates more efficiently and effectively. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives.

- Promote and develop excellence and high caliber in the Department
- Ensure knowledge transfer occurs to develop bench strength

## **Service Efforts and Accomplishments**

Following are the service efforts and accomplishments of the Debt Management Department in Fiscal Year 2010:

### **General Fund**

In July 2010, Debt Management conducted the public offering of \$163.2 million of Tax and Revenue Anticipation Notes to fund Fiscal Year 2011 General Fund cash flow needs.

In June 2010, Debt Management facilitated a modification of the outstanding McGuigan Settlement repayment terms. The modification, through the sale and transfer of the settlement to a third party investor, allowed for an early pay down of the outstanding judgment amount to the Pension System and budgetary relief in Fiscal Year 2011.

The Department also conducted the issuance of the Master Refunding Lease Revenue Bonds, Series 2010A in May 2010. The Master Refunding Bonds, in an amount of \$167.6 million, included the repayment of the privately placed short term Deferred Capital Improvements Lease Revenue Bonds, Series 2009A, and the economic refundings of the Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium) and the Balboa Park/Mission Bay Park Refunding Certificates of Participation, Series 1996B. The average annual General Fund debt service savings generated from the economic refundings was approximately \$1.3 million.

In November 2009, Debt Management coordinated the City's participation in the Proposition 1A Securitization Program, which replaced \$35.8 million of property tax revenues that were required to be loaned to the State as part of the State's budget actions for Fiscal Year 2010. Participation in the Program ensured that no negative fiscal impacts resulted from the State's action.

### **Public Utilities**

As a continuation of the 2009 financing plans adopted for the Water and Wastewater Utilities, economic refundings were implemented for each of the Utilities in 2010. Debt Management completed an economic refunding of the remaining Certificates of Undivided Interest, Series 1998 with the issuance of the Water Revenue Bonds, Refunding Series 2010A in June 2010. The par amount of the refunding bonds was \$123.1 million which generated 3.13 percent in net present value savings. The refunding bonds lowered the debt service payments paid by the Water Utility by \$26.0 million over the remaining life of the outstanding bonds that were refunded.

In April 2010, Debt Management also completed the economic refunding of certain outstanding Senior Sewer Revenue Bonds. The \$161.9 million in Sewer Refunding Bonds, Series 2010A, generated a net present value savings rate of 4.87 percent or approximately \$25.6 million in gross savings over the remaining life of the outstanding bonds that were refunded.



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## Department Summary

|                                  | FY2010<br>Budget    | FY2011<br>Adopted   | FY2010–2011<br>Change |
|----------------------------------|---------------------|---------------------|-----------------------|
| Positions                        | 21.00               | 18.00               | (3.00)                |
| Personnel Expenses               | \$ 2,224,292        | \$ 2,042,683        | \$ (181,609)          |
| Non-Personnel Expenses           | 407,800             | 187,976             | (219,824)             |
| <b>Total Department Expenses</b> | <b>\$ 2,632,092</b> | <b>\$ 2,230,659</b> | <b>\$ (401,433)</b>   |
| <b>Total Department Revenue</b>  | <b>\$ 1,137,885</b> | <b>\$ 1,008,057</b> | <b>\$ (129,828)</b>   |

## General Fund

### Department Expenditures

|                 | FY2010<br>Budget    | FY2011<br>Adopted   | FY2010–2011<br>Change |
|-----------------|---------------------|---------------------|-----------------------|
| Debt Management | \$ 2,632,092        | \$ 2,230,659        | \$ (401,433)          |
| <b>Total</b>    | <b>\$ 2,632,092</b> | <b>\$ 2,230,659</b> | <b>\$ (401,433)</b>   |

### Department Personnel

|                 | FY2010<br>Budget | FY2011<br>Adopted | FY2010–2011<br>Change |
|-----------------|------------------|-------------------|-----------------------|
| Debt Management | 21.00            | 18.00             | (3.00)                |
| <b>Total</b>    | <b>21.00</b>     | <b>18.00</b>      | <b>(3.00)</b>         |

### Significant Budget Adjustments

|  | FTE         | Expenditures     | Revenue             |
|--|-------------|------------------|---------------------|
| <b>Adjustment to Contracts and Equipment Outlay</b>  | 0.00        | \$ 21,000        | \$ –                |
| Funding allocated according to a zero-based annual review of contract and equipment outlay requirements. |             |                  |                     |
| <b>Revised Revenue</b>   | 0.00        | –                | (129,828)           |
| Adjustment to reflect Fiscal Year 2011 revenue projections.  |             |                  |                     |
| <b>Total</b>   | <b>0.00</b> | <b>\$ 21,000</b> | <b>\$ (129,828)</b> |

### Expenditures by Category

|                               | FY2010<br>Budget    | FY2011<br>Adopted   | FY2010–2011<br>Change |
|-------------------------------|---------------------|---------------------|-----------------------|
| <b>PERSONNEL</b>              |                     |                     |                       |
| Salaries and Wages            | \$ 1,498,456        | \$ 1,246,187        | \$ (252,269)          |
| Fringe Benefits               | 725,836             | 796,496             | 70,660                |
| <b>PERSONNEL SUBTOTAL</b>     | <b>\$ 2,224,292</b> | <b>\$ 2,042,683</b> | <b>\$ (181,609)</b>   |
| <b>NON-PERSONNEL</b>          |                     |                     |                       |
| Supplies                      | \$ 24,595           | \$ 23,911           | \$ (684)              |
| Contracts                     | 260,838             | 64,727              | (196,111)             |
| Information Technology        | 103,276             | 81,846              | (21,430)              |
| Energy and Utilities          | 15,977              | 15,443              | (534)                 |
| Other                         | 1,049               | 1,049               | –                     |
| Capital Expenditures          | 2,065               | 1,000               | (1,065)               |
| <b>NON-PERSONNEL SUBTOTAL</b> | <b>\$ 407,800</b>   | <b>\$ 187,976</b>   | <b>\$ (219,824)</b>   |
| <b>Total</b>                  | <b>\$ 2,632,092</b> | <b>\$ 2,230,659</b> | <b>\$ (401,433)</b>   |

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## Revenues by Category

|                              |           | FY2010<br>Budget |           | FY2011<br>Adopted |           | FY2010–2011<br>Change |
|------------------------------|-----------|------------------|-----------|-------------------|-----------|-----------------------|
| Charges for Current Services | \$        | 1,137,885        | \$        | 1,008,057         | \$        | (129,828)             |
| <b>Total</b>                 | <b>\$</b> | <b>1,137,885</b> | <b>\$</b> | <b>1,008,057</b>  | <b>\$</b> | <b>(129,828)</b>      |

## Personnel Expenses

| Job<br>Number                      | Job<br>Class | Job Title / Wages                 | FY2010<br>Budget | FY2011<br>Adopted | Salary Range        | Total               |
|------------------------------------|--------------|-----------------------------------|------------------|-------------------|---------------------|---------------------|
| 20000149                           | 1222         | Associate Economist               | 3.00             | <b>3.00</b>       | \$54,059 - \$65,333 | \$ 115,159          |
| 20000119                           | 1218         | Associate Management Analyst      | 2.00             | <b>2.00</b>       | 54,059 - 65,333     | 117,665             |
| 20000539                           | 1535         | Clerical Assistant 2              | 1.00             | <b>1.00</b>       | 29,931 - 36,067     | 35,165              |
| 20001101                           | 2132         | Department Director               | 1.00             | <b>1.00</b>       | 59,155 - 224,099    | 149,999             |
| 20000924                           | 1876         | Executive Secretary               | 1.00             | <b>0.00</b>       | 43,555 - 52,666     | –                   |
| 20001234                           | 2282         | Program Coordinator               | 10.00            | <b>6.00</b>       | 23,005 - 137,904    | 501,793             |
| 20001222                           | 2270         | Program Manager                   | 2.00             | <b>2.00</b>       | 46,966 - 172,744    | 166,026             |
| 20000015                           | 1106         | Senior Management Analyst         | 0.00             | <b>2.00</b>       | 59,363 - 71,760     | 118,726             |
| 20000756                           | 1746         | Word Processing Operator          | 1.00             | <b>1.00</b>       | 31,491 - 37,918     | 36,970              |
|                                    |              | Overtime Budgeted                 |                  |                   |                     | 4,684               |
| <b>Salaries and Wages Subtotal</b> |              |                                   | <b>21.00</b>     | <b>18.00</b>      |                     | <b>\$ 1,246,187</b> |
|                                    |              | Employee Offset Savings           |                  |                   |                     | \$ 29,005           |
|                                    |              | Flexible Benefits                 |                  |                   |                     | 112,123             |
|                                    |              | Long-Term Disability              |                  |                   |                     | 11,289              |
|                                    |              | Medicare                          |                  |                   |                     | 15,582              |
|                                    |              | Other Post-Employment Benefits    |                  |                   |                     | 107,610             |
|                                    |              | Retirement ARC                    |                  |                   |                     | 439,305             |
|                                    |              | Retirement Offset Contribution    |                  |                   |                     | 17,962              |
|                                    |              | Risk Management Administration    |                  |                   |                     | 16,660              |
|                                    |              | Supplemental Pension Savings Plan |                  |                   |                     | 38,125              |
|                                    |              | Unemployment Insurance            |                  |                   |                     | 2,636               |
|                                    |              | Unused Sick Leave                 |                  |                   |                     | 1,003               |
|                                    |              | Workers' Compensation             |                  |                   |                     | 5,196               |
| <b>Fringe Benefits Subtotal</b>    |              |                                   |                  |                   |                     | <b>\$ 796,496</b>   |
| <b>Total Personnel Expenses</b>    |              |                                   |                  |                   |                     | <b>\$ 2,042,683</b> |

## Budget by Program

|                              | FY2011<br>Positions |           | FY2011<br>Expenditures |           | FY2011<br>Revenue |
|------------------------------|---------------------|-----------|------------------------|-----------|-------------------|
| Financing and Administration | 18.00               | \$        | 2,148,813              | \$        | 1,008,057         |
| IT Non-Discretionary         | 0.00                |           | 81,846                 |           | –                 |
| <b>Total</b>                 | <b>18.00</b>        | <b>\$</b> | <b>2,230,659</b>       | <b>\$</b> | <b>1,008,057</b>  |